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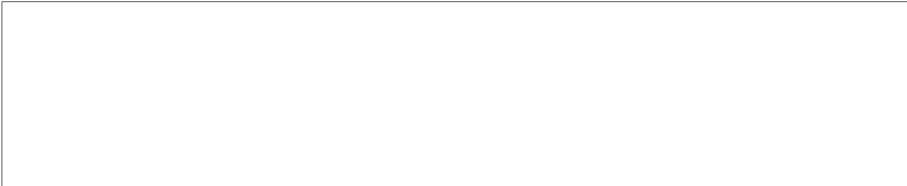
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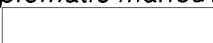
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FRANCE-LIBYA-CHAD: Conditions for Peace Talks

Diplomatic maneuvering is increasing during a lull in the fighting in Chad. 

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The official Libyan news agency reported yesterday that dissident chief Goukouni insists that all French and Zairian troops and advisers have to be withdrawn before peace talks can be considered. According to the US Embassy in N'Djamena, Habre says he will not negotiate until Libyan forces leave. Habre sent a message to OAU Chairman Mengistu on Saturday calling for a meeting of the ad hoc mediation committee to discuss the conflict in Chad. 

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The Embassy also reports that Guy Penne, President Mitterrand's African adviser, says that any political solution has to involve the Africans themselves rather than officials in Paris. He reportedly dodged Habre's request for air support. French press reports emphasize, however, that the use of Jaguar fighter-bombers has not been ruled out. 

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Press reports indicate that French and Libyan officials met in Brazzaville, Congo, yesterday. 

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Comment: Habre and Goukouni have been enemies since their split in the mid-1970s. They are likely to react cautiously to calls for a negotiated settlement. 

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France's continued insistence that its troops in Chad are for training purposes does not detract from their importance as a symbol of the French commitment to aid Chad. Their presence in forward positions clearly is intended to deter the Libyans from further attack. 

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UK-CHINA: Status of Negotiations on Hong Kong

The British are expressing optimism about the negotiations with the Chinese over the future of Hong Kong, but contentious issues remain to be resolved. []

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British officials say they are satisfied with the course of the talks, which have been recessed until next month. They believe they have persuaded the Chinese that, to maintain stability in Hong Kong, making progress on substantive issues is more important than haggling over the timing of discussions on the transfer of sovereignty.

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The talks thus far have addressed general issues and have avoided specifics about the administration of Hong Kong after the transfer of sovereignty in 1997. London continues to want a British civil presence in Hong Kong after China assumes sovereignty, while the Chinese want Hong Kong to be a self-administered region. []

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Comment: The British have often said that Beijing needs to be "educated" about political and economic realities in Hong Kong before a settlement can be reached. While they apparently believe that China still has many misconceptions about the colony, they have concluded Beijing now recognizes that transfer of control will be a complex and lengthy process. []

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The UK's strategy for reducing public concern appears to be to blur the sovereignty "deadline" of 1997. London seems convinced that only a continued British presence will provide Hong Kong's residents a guarantee that the social and economic status quo will not change after Beijing assumes control. []

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London's optimism may be misplaced. Differences are certain to emerge over basic questions of a residual British presence in Hong Kong's administration and over the length of any transition period.

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USSR: Andropov on the Economy

General Secretary Andropov, in a speech to veteran party members yesterday, expressed his dissatisfaction with the pace at which the economy is improving and the lack of vigor in searching for ways to improve it. He stated that "changes in planning, management, and the economic mechanism" need to be introduced "in order to enter the new Five-Year Plan period . . . fully armed." Andropov sounded a cautionary note, however, by stressing the need to study proposals and innovations carefully and to determine how they affect economic performance. [redacted]

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Comment: Andropov's use of this forum indicates that he still is searching for economic programs that can be carried out by the beginning of the Five-Year Plan for 1986-90. He has made clear that he would like to have a number of experiments introduced into the economy and evaluated before then. His note of caution evidently was intended to pacify reported opposition to economic changes. It also probably reflects the difficulties he has encountered in encouraging new economic programs. [redacted]

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USSR: Romanov Responsible for Defense Industry

Last week a Soviet official told the US Embassy that party secretary Romanov's low public profile since being transferred to Moscow in June is the result of his having been assigned responsibility for defense industry. In addition, a Soviet diplomat has claimed that Romanov's responsibilities include overseeing defense industry. [redacted]

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Comment: Romanov's managerial skills demonstrated in heavy industry and defense industry in Leningrad would make him a suitable candidate for the defense industry portfolio. [redacted]

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Romanov's involvement in defense industry issues would help explain his failure to make frequent public appearances, as most of that sector's work is conducted without publicity. [redacted]

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EL SALVADOR: Government Losses Decline

The military suffered substantially fewer troop and equipment losses to the guerrillas last month than in previous months. According to Army sources, the guerrillas during July did not take any prisoners, killed or wounded only 82 soldiers, and captured only 80 weapons. Government losses for the previous three months averaged about 200 soldiers killed or wounded, 60 captured, and more than 165 rifles or other weapons lost. The insurgents claim to have inflicted about 20 percent more casualties and captured about twice as many prisoners during the same period. [REDACTED]

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Comment: The decline in losses probably stems from the fact that the Army has generally held the tactical initiative since early June. This has prevented the insurgents from mounting the well-planned and coordinated attacks that marked their previous operations. The guerrillas' own losses, however, apparently have not been high. [REDACTED]

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PANAMA: Key Changes in the National Guard

The transfer of command of the politically powerful National Guard to former Chief of Staff Noriega marks another step forward for retired Guard chief Paredes's presidential ambitions. During the ceremonies late last week, both Paredes and Noriega publicly pledged to continue the democratization process, which is scheduled to culminate in national elections next May. In other key changes in the Guard's General Staff, former Deputy Chief of Staff Diaz Herrera was elevated to chief of staff, and one of Noriega's proteges was named head of intelligence. [REDACTED]

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Comment: The General Staff is likely to continue to give its support to Paredes because it believes that, as president, he would protect the military's position as the country's dominant political force. Although the opportunistic Noriega generally disdains permanent political alliances, he maintains close contacts with Havana and with Marxist elements in the region. Noriega's pragmatism, however, probably will dictate that he also continue close cooperation with US officials. [REDACTED]

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USSR-AFGHANISTAN: Insurgent Attack on Kabul

Western observers in Kabul believe that the fighting in the capital on Saturday was the most intense in the last few years, according to the US Embassy. Insurgent mortar fire hit various targets throughout the city, including the buildings housing Radio Afghanistan. [REDACTED]

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Comment: Increased insurgent attacks on Kabul are likely to continue because recent Soviet and Afghan Government military operations around the capital have failed to destroy local guerrilla strongholds. As a result, Soviet and government commanders probably will launch new attacks against villages surrounding the city. Such actions are unlikely to reduce insurgent activity, but they probably will cause more civilian casualties. [REDACTED]

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WESTERN EUROPE: Increasing Drug Problem

The US Mission in West Berlin reports that heroin seizures and overdose deaths from heroin use have increased substantially there this year. These trends are attributed to trafficking by Sri Lankan refugees, who are selling uncut heroin obtained in Pakistan directly to consumers. The Mission also says that US military personnel thus far have not been involved, perhaps because the Sri Lankans are operating in private homes.

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Comment: The situation in West Berlin is another example of the mounting drug abuse problem that is creating considerable alarm in Western Europe. In West Germany, where involvement of the large underemployed Turkish worker population in trafficking also is adding to serious social tensions, the government is using tougher measures to try to control the problem. In West Berlin, however, control efforts are hampered by limited cooperation on the part of East Germany—a popular transit route for smugglers from Southwest Asia.

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YUGOSLAVIA-USSR: Tank Deal Reported

A high-level Yugoslav defense official claims that Belgrade has signed a contract to produce the T-72 tank under Soviet license, [redacted] A Yugoslav prototype is to be completed by the end of this year, and prototype testing will continue through 1984, with production beginning in 1985. The contract permits Yugoslavia to sell T-72s to Third World countries on a case-by-case basis with Moscow's approval. After five years of production, however, Yugoslav-produced T-72s also have to be offered for sale to Warsaw Pact nations. [redacted]

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Comment: Yugoslavia has wanted to coproduce this tank for hard currency sales, but the USSR reportedly cooled to the negotiations last spring. Belgrade may have overcome Moscow's objections by promising to offer Yugoslav T-72s to the Warsaw Pact. The Soviets may be seeking to supplement lagging production levels of the problem-plagued T-72 programs in Poland and Czechoslovakia. Deadlines for T-72 production in those countries have not been met, and the Yugoslav production schedule also may be too optimistic. [redacted]

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USSR-SEYCHELLES: Military Assistance

The US Embassy in Victoria reports that the Soviets will supply Seychelles with two medium helicopters. [redacted]

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[redacted] In May two Embassy sources said that some large crates were unloaded from a Soviet merchant ship and taken to the barracks of the North Korean soldiers who—with Tanzanians—serve as a security force in Seychelles. Late last month another known Soviet arms carrier called at Port Victoria with undetermined cargo. [redacted]

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Comment: The known deliveries represent a change in the type of the USSR's military assistance to Seychelles, which until now has mostly featured naval equipment—including patrol boats and coastal radars—and small arms. The Soviets are seeking to strengthen relations with President Rene, who has tried to maintain a balance between the US and the USSR. [redacted]

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